




LIQUIDITY STRATEGIES

Dealmaking Hits All-Time High in Silicon Alley

Dealmaking hit an all-time high in Silicon Alley during 1999, as entrepreneurs and the financial community alike celebrated 270 substantial capital infusions and liquidity events. The full results of last year's deal activity will be reported in a special report of the <alley_insider> on Tuesday, April 4.

Alley participants raised more than \$2.5 billion of venture capital this past year, eclipsing 1997 and 1998's totals combined, and enjoyed a 77% increase in the average funding per deal relative to that figure just two years ago.

Silicon Alley was also home to 184 mergers, acquisitions, and strategic investments during 1999, 34% more than in 1998. Of particular interest is the <alley_insider>'s ranking of the most active acquirers and strategic investors over the past two years. Topping the list are Rare Medium with 18 deals, Razorfish with 13 deals, and CBS Corporation with 11 deals.

Increasingly, traditional media heavyweights such as CBS and NBC are acknowledging the Alley's importance by gradually buying into the market via minority investments. More importantly, Silicon Alley has enjoyed a much-needed diversification away from the sector's traditional focus on interactive agencies and web developers, to the point where such companies represent only 20% of all publicly-traded companies and privately-held acquisitions targets in the region. 

Company Spotlight: Thaumaturgix, Inc.

In an industry where companies issue press releases virtually upon incorporation, it is a pleasant surprise to meet a rapidly-growing Alley participant with nearly 100 employees and a five-and-a-half-year track record whose name, frankly, is completely unfamiliar.

Thau'ma-tur-gy, n. the working of miracles. Not exactly a humble byline. Thaumaturgix, Inc., launched in 1994 as an open systems technology consulting firm systems integrator, was founded by alumni of Cambridge Technology Partners and Icon CMT Corp.

Thaumaturgix's success story traces back to mid-1995, when the American Stock Exchange retained the company to meet a growing need for a sophisticated web presence. Today, some 90% of the company's work is focused on Internet business solutions—such as e-commerce implementations, broadband applications, personalized and dynamic website architecture—supported by systems, network and database implementation. In other words, technology is their core competency and a key component of the solutions they deliver.

(continued on page 2)

Also in this Issue:

N.B. Another Omen? 2

About 3C 2

N.B. Another Omen?

Last month, the <alley_insider> discussed how accounting regulations broke the proposed merger between MP3.com and seeUthere.com, and how the deal was restructured as a combination minority investment and strategic alliance.

Interestingly enough, a second example recently arose; this time, the DOA tag identified the proposed merger of CDNow with Columbia House, owned jointly by Time Warner and Sony. Instead, the companies have drafted an alternate deal with significant investments and will discuss other possible alliances. Rising competition, coupled with a lengthy, antitrust regulatory process, were allegedly to blame.

While the dot.com community has convinced the capital markets that Old Economy rules no longer apply, it would be well advised to convert a few more regulators. ☺

About 3C

Columbus Capital Co., LLC (3C) is a recently-founded M&A investment bank and venture services network focused on the new media and technology industries. 3C specializes in mergers and acquisitions, strategy consulting, joint ventures, recapitalizations, strategic partnerships, minority investments, valuations, and fairness opinions. Large and small transactions alike receive the personal attention of one of the firm's partners or senior advisors.

New business prospects should contact Peter Nesvold, Principal, at peter@3Cadvisors.com or (212) 207-1042. The firm is located at 535 Madison Avenue, 19th Floor, New York, NY. ☺

Company Spotlight: Thaumaturgix, Inc. (con't)

(continued from page 1)

Thaumaturgix has extended its technology competency into front-end design and production work. But unlike its more flamboyant competitors, the company prefers to keep a low profile. Clients, however, do talk about them. Practically all of Thaumaturgix's new business is through referrals.

Along the way, Thaumaturgix has achieved some impressive growth. The company has doubled revenue and the number of employees every year (though they broke with tradition in 1999 by more than tripling revenue). Despite enviable expansion (their workspace has grown from a 423 square feet to 27,000), they have been profitable since the company was founded—all organically and without outside investors or a single sales person.

In an industry where turnover can average 50% per year, Thaumaturgix's historical rate is less than 15%—despite the fact that the company did not adopt an employee stock option plan until June 1999. How so? The founders of Thaumaturgix, Peter Dolch, Moses Merchant and Yogen Sanghani, share 40% of their profits with employees. In addition, the company maintains a relatively flat organizational structure by de-emphasizing job titles or status. Programmers are granted much latitude not only on their hours, but also on the types of projects in which they are involved—thus ensuring a constant challenge. Finally, management demands a strong tech-mentality at all levels; from entry-level programmers and supervisors to the founders.

Technology concerns, even those that follow a professional services consulting firm model, do not sustain six-years of 100%+ annual growth without a dedicated sales force unless they consistently satisfy two demanding constituencies: clients and employees. The working of miracles? Maybe we'll cut them a break on the name. ☺

The principals of 3C have worked with such Information Age pioneers as:



Sponsors

New York City
Venture Capital
 Conference & Exposition

5th Annual

WWW.NYVCV.COM
 The Definitive Conference for Investors and
 New York City's Best & Brightest Young Companies
July 17 - 19, 2000
The Marriott Marquis, New York City
 Showcasing 25 of New York City's
 Hottest Entrepreneurs Seeking Funding

Booking Venture Capital?
 We are accepting applications from New York City-based companies that wish to present a
 business plan at the conference. For information, visit www.nyvcv.com/businessplans

For more information visit www.nyvcv.com or call 1-800-599-4950.